AUDIT REPORT NO. 69-6
JUNE, 1969

FINANCIAL AUDIT OF THE HONOKAA HOSPITAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1968

A REPORT TO THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF HAWAII

SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

THE OFFICE
OF THE LEGISLATIVE AUDITOR

The office of the legislative auditor is a public agency attached to the Hawaii State legislature. It is established by Article VI, Section 8, of the Constitution of the State of Hawaii. The expenses of the office are financed through appropriations made by the legislature.

The primary function of this office is to strengthen the legislature's capabilities in making rational decisions with respect to authorizing public programs, setting program levels, and establishing fiscal policies and in conducting an effective review and appraisal of the performance of public agencies.

The office of the legislative auditor endeavors to fulfill this responsibility by carrying on the following activities.

1. Conducting examinations and tests of state agencies' planning, programming, and budgeting processes to determine the quality of these processes and thus the pertinence of the actions requested of the legislature by these agencies.
2. Conducting examinations and tests of state agencies' implementation processes to determine whether the laws, policies, and programs of the State are being carried out in an effective, efficient and economical manner.
3. Conducting systematic and periodic examinations of all financial statements prepared by and for all state and county agencies to attest to their substantial accuracy and reliability.
4. Conducting tests of all internal control systems of state and local agencies to ensure that such systems are properly designed to safeguard the agencies' assets against loss from waste, fraud, error, etc.; to ensure the legality, accuracy and reliability of the agencies' financial transaction records and statements; to promote efficient operations; and to encourage adherence to prescribed management policies.
5. Conducting special studies and investigations as may be directed by the legislature.

Hawaii's laws provide the legislative auditor with broad powers to examine and inspect all books, records, statements, documents and all financial affairs of every state and local agency. However, the office exercises no control functions and is restricted to reviewing, evaluating, and reporting its findings and recommendations to the legislature and the governor. The independent, objective, and impartial manner in which the legislative auditor is required to conduct his examinations provides the basis for placing reliance on his findings and recommendations.

LEGISLATIVE AUDITOR

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Foreword

This report is the result of our examination of the fiscal records of the Honokaa Hospital for the fiscal period beginning July 1, 1967 and ending June 30, 1968. It was conducted pursuant to section 23-4 of the Hawaii Revised Statutes which requires this office to conduct post-audits of all transactions and of all books and accounts kept by State departments and county agencies. This report is one of several audit reports we have issued recently relating to our financial audits of some of the hospitals now under State jurisdiction (Act 97 hospitals).

The purpose of our examination was to determine the propriety of the fiscal transactions of the hospital, the accuracy and reliability of its financial records, and the adequacy of the hospital's controls to safeguard its assets against loss, waste, fraud and extravagance. We made no assessment of the effectiveness of the hospital or the efficiency with which it has carried out its programs, except as they bear directly on the fiscal transactions under examination.

It is our practice to request the agencies affected by our examination to submit in writing their comments on our findings and recommendations and to indicate what action they have taken or intend to take on our recommendations. With respect to the Honokaa Hospital, we requested the administrative director of the Hawaii county hospital system for his response on behalf of the hospital. His response and that of the State department of health are appended in Part IV, *A Memorandum on the Comments Made by the Affected Agencies.*

We wish to express our sincere appreciation for the fine cooperation and assistance given to our staff members by the management and staff of the hospital and the State department of health.

Clinton T. Tanimura
Legislative Auditor

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PART I
INTRODUCTION AND SOME BACKGROUND

Chapter 1

INTRODUCTION

This is a report on our post-audit of the financial transactions, books and accounts of the Honokaa Hospital. The audit was conducted pursuant to section 23-4, Hawaii Revised Statutes, which requires the office of the auditor to conduct post-audits of all transactions and of all books and accounts kept by State departments and county agencies.

Purpose of Audit

The purpose of our audit was to examine the propriety of the hospital's financial transactions, the accuracy and reliability of its financial records, and the adequacy of the hospital's controls to safeguard its assets against loss, waste, fraud and extravagance.

Scope of Audit

The audit examined the hospital's financial records for, and the transactions had during the fiscal year July 1, 1967 to June 30, 1968. It was conducted in accordance with generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants and as set forth in the *Manual of Guides of the Office of the Legislative Auditor.* It included tests of the accounting records and the use of such auditing procedures as we considered necessary.

Organization of the Report

This report is organized into three parts. Part I consists of this introduction (chapter 1) and some background on the Honokaa Hospital (chapter 2).

Part II (chapters 3 through 6) contains our opinions, findings and recommendations regarding the hospital's system of internal control, its financial statements and the related fiscal transactions.

Part III contains a summary of the findings and recommendations.

Definitions of Terms

There are certain terms which are used throughout this report. The terms and their definitions are as follows:

Encumbrances means obligations in the form of purchase orders, contracts or commitments which are chargeable to the year in which they are budgeted. These obligations cease to be encumbrances when paid or when they become actually due and payable.

Hospital refers to the Honokaa Hospital, unless otherwise specified.

County refers to the county of Hawaii.

State refers to the State of Hawaii.

Chapter 2

SOME BACKGROUND

The Honokaa Hospital is a government-operated, general hospital located at Honokaa in the county of Hawaii. It serves the Hamakua coast and the Waimea and Kawaihae areas. It was first established in 1951.

The hospital's ancillary services include a blood bank, a clinical laboratory, an electrocardiography, a premature nursery, outpatient and emergency services, operation and obstetrical delivery room, diagnostic X-ray services and ambulance services.

The hospital does not have a paid doctor on its staff. There are, however, six private physicians who are privileged to attend to patients in the hospital. The hospital's full-time employees number 34, including a hospital superintendent, 18 nurses and nurse aides, laboratory and X-ray technicians and other service and maintenance personnel.

The hospital's current capacity is 52 beds. Of the 52 beds, 23 are assigned to medical and surgical cases, 7 to obstetrics, 6 to pediatrics and 16 to long-term patient care. During the year ended June 30, 1968, the hospital had an average, daily, inpatient census of 25.5 as compared to 19.7 for 1967.

Exhibit I at the end of this chapter summarizes the statistical data of the hospital.

Future Plans for Capital Facilities

In recent years there has been a growing interest in establishing a hospital at Kamuela, Hawaii. Private interest groups have been developing plans for a 68-bed acute and long-term facility in Kamuela. It is said that a hospital in such a central location would permit services to be provided to the resort area of Kawaihae on the west coast of the island, Kohala on the northern coast, and Honokaa on the east coast. A hospital at Kamuela has been endorsed by the health facilities planning

council[1] in its long-range health facilities plan for the county of Hawaii.[2]

The council's plan recommends that the services presently offered at the Honokaa Hospital be assumed by the proposed hospital in Kamuela. This means the eventual phasing-out of the Honokaa Hospital as a health care facility. In addition, the council proposes that the Kohala Hospital be converted to a long-term facility with limited emergency service.

Recent Legislation on Hospital Administration

State legislation. In recent years, the State legislature has enacted several pieces of legislation affecting the administration of public hospitals and other public health and medical facilities. Effective July 1, 1965, Act 97, SLH 1965, transferred the functions of planning, construction, improvement, maintenance and operation of all public hospitals from the counties to the State. However, to provide an uninterrupted continuation of services, the act authorized the State to contract with the counties for the counties to perform the above functions, with certain restrictions, during the period July 1, 1965 to June 30, 1966.

Act 14, SLH 1966, authorized the governor to re-enter into the contracts described in the preceding paragraph for the period July 1, 1966 to June 30, 1967.

Act 203, SLH 1967, affirmed that all matters pertaining to the operation and maintenance of county hospitals and related public health and medical facilities are State responsibilities, but provided that "each county shall, on behalf of the State, operate and maintain" such hospitals and facilities situated in the county, with all costs to be paid for by the State. The act also provided for the establishment in each county of a 10-member county hospital advisory council to serve without compensation and to advise the State director of health on matters concerning the planning, construction, improvement, maintenance and operation of public hospitals and other public and health facilities within the county.[3]

[1] The council is a voluntary non-profit organization which was established in 1963 to plan for health facilities and related services throughout the State of Hawaii. The members of the council are comprised of physicians, hospital administrators, legislators, and business and community leaders.

[2] Health Facilities Planning Council of Hawaii, *Areawide Health Facilities Plan for County of Hawaii, 1964-1985, (Rev. 1967).*

[3] At the 1969 session, the legislature completed the State "take-over" of all public hospital and health facilities operations by enacting H.B. No. 740, H.D. 1, S.D. 1. This bill, upon the governor's approval, requires that effective January 1, 1970, all functions pertaining to the operation and maintenance of all public hospitals and all other public health and medical facilities (which are currently being performed by the various counties in behalf of the State under Act 203, SLH 1967), together with all personnel, personal property and real property employed therein, be completely transferred from the counties to the State.

Hawaii county resolutions and the Hawaii county hospital system. By resolution no. 282, dated November 22, 1967, the county of Hawaii established a county hospital system called the Hawaii county hospital system.[4] The resolution created a governing board for the system and a trustee committee for each of the hospitals within the system. (A trustee committee was also created for the privately-operated Kau Hospital.)[5] On July 3, 1968, by resolution no. 470, the county abolished the governing board. However, it retained the Hawaii county hospital system and the trustee committees for each of the hospitals.

The function of the trustee committees is to advise the county council on matters concerning the operation of the respective hospitals they serve.[6] The superintendent of the Hilo Hospital has been designated as the administrative director of the system.

[4]Consists of the Hilo, Kona, Honokaa and Kohala hospitals.

[5]A new *public* general hospital in the Kau district of the island of Hawaii is scheduled to be constructed by the State in the near future. This new hospital will replace the present, *privately-operated* Kau Hospital (also known as the Pahala Hospital). At the 1969 session, the legislature enacted House Bill No. 128, H.D. 1, (Act 63, SLH 1969) which provides for the incorporation of the new public hospital into the county/State hospital system and for the transfer of the employees of the Pahala Hospital to the new hospital.

[6]For a general discussion of the various county hospital councils and boards, see our reports to the legislature of the State of Hawaii entitled, *Status Report on the Implementation of Act 203, Session Laws of Hawaii 1967,* dated February 1968, and *Second Annual Status Report on the Implementation of Act 203, Session Laws of Hawaii 1967,* dated February 1969.

Funding

Monies appropriated by the State legislature from the State general fund finance the operation of the Honokaa Hospital. The annual appropriations are based largely on the hospital's estimates of average, daily, inpatient population.

Monies collected by the hospital as a result of services rendered to patients or otherwise are deposited into the State treasury as general fund revenue. However, monies collected for services rendered prior to the enactment of Act 97 in 1965 are considered county receipts and are deposited to the credit of the county.

EXHIBIT I

STATISTICAL DATA
Years Ended June 30, 1967 and 1968

	1967	1968
Number of beds	52	52
Number of bassinets	11	11
Number of employees	33	34
Nursing personnel:		
Registered nurses	8	9
Practical nurses	7	7
Others	2	2
Meals served	41,557	48,229
Out-patient visits	3,836	4,364
Emergency visits	275	217
Patients admitted	723	650
Newborn babies delivered	110	112
Number of operations	441	393
Patient-days of care–adult	7,183	9,334
Patient-days of care–newborn	377	222
Average patients per day	19.7	25.5
Percent of occupancy	37.8%	49.0%

Source: Data compiled by Honokaa Hospital from its records and reports.

PART II
FINDINGS AND RECOMMENDATIONS ON INTERNAL CONTROL, FUND MANAGEMENT AND OPERATION, AND OPINION ON FINANCIAL STATEMENTS

Chapter 3

HOSPITAL OPERATING RESOURCES AND EXPENDITURES

This chapter contains the financial statement displaying the operating resources and expenditures of the Honokaa Hospital for the fiscal year ended June 30, 1968. In addition, this chapter includes our findings regarding the propriety of expenditures and the adequacy of fiscal controls.

Statement of Appropriation, Expenditures and Unencumbered Balance

The hospital's statement of appropriation, expenditures and unencumbered balance for the year ended June 30, 1968 is shown in Table I.

Opinion on Statement. In our opinion, the statement of appropriation, expenditures and unencumbered balance presents fairly the hospital's operating resources, expenditures and unencumbered balance for the fiscal year ended June 30, 1968.

Resources

State general fund appropriation. For the fiscal period beginning July 1, 1967 and ending June 30, 1968, the State legislature, by Act 54, SLH 1967, appropriated $292,829, out of the general revenue of the State, for the operation of the hospital.

Act 54 noted that the amount appropriated was based on an estimated, daily, inpatient population of 30 persons. However, we have been advised by the hospital that the figure 30 was incorrectly inserted into the appropriation act. The hospital stated that its budget was prepared on the basis of its prior years' experience which showed an average, daily population of approximately 20 patients. There is apparently no documentation supporting the 30 patient figure noted in the appropriation act.

Transfers from other Act 97 hospitals. During the fiscal year, the hospital secured additional funds (totaling $26,899) from the Hilo Hospital and the Maui Memorial Hospital. It secured at various times sums totaling $24,809 from the Hilo Hospital. This total sum represented a portion of the Hilo Hospital's receipts in excess of the amount estimated in that hospital's

TABLE I
STATEMENT OF APPROPRIATION, EXPENDITURES AND UNENCUMBERED BALANCE
Year Ended June 30, 1968

	Actual	Budget	Actual Over [Under] Budget
Resources			
State general fund appropriation, Act 54, SLH 1967	$292,829	$292,829	$ --
Transfers from other Act 97 hospitals	26,899	--	26,899
Reimbursement of expenditures	2,899	--	2,899
Total resources	322,627	292,829	29,798
Expenditures (including encumbrances)			
Personal services	226,267	209,505	16,762
Other current expenses (Schedule I)			
Nursing services	11,396	9,178	2,218
Clinical services	29,032	32,875	[3,843]
House services	40,955	31,177	9,778
Administrative services	7,794	6,344	1,450
Total other current expenses	89,177	79,574	9,603
Equipment	5,839	3,750	2,089
Total expenditures	321,283	292,829	28,454
Unencumbered balance at June 30, 1968	$ 1,344	--	$ 1,344

budget for 1967-68. These transfers of funds were requested by the Honokaa Hospital on the basis of "increased hospital receipts," and they were approved by the State department of budget and finance.

From the Maui Memorial Hospital, the Honokaa Hospital received the sum of $2,090. This sum represented a portion of the surplus with which the Maui Memorial Hospital ended the fiscal year 1965-66. The total Maui

Memorial Hospital's surplus was $35,960. The governor recommended that this total surplus amount be used to purchase equipment for all Act 97 hospitals and that the allocation of this surplus among the hospitals be based on a review of equipment requirements and priorities by a committee appointed by the State department of health. An equipment review committee was formed in early 1967. By October 1967, this committee agreed on the allocation of the surplus. The Honokaa Hospital's allocation was $2,090.[1]

The reason given for the transfer of funds from the Hilo Hospital, "increased hospital receipts," is somewhat misleading. The need for additional funds apparently arose because of (a) an increase in the average, daily, inpatient population by 5.5 over the 20 which was estimated and upon which the legislative appropriation for the hospital was presumably based; (b) an increase in salary requirements resulting from a reclassification of the nursing and hospital support positions; and (c) overtime incurred in excess of the amount budgeted therefor. (See our comments on these items later in this chapter.)

Reimbursement of expenditures. During the fiscal year, the hospital became entitled to reimbursements from the State general fund in the total sum of $2,899 for costs incurred as a result of Act 147, SLH 1967, which required payment of nightshift differentials ($518) and as a result of the blue collar salary adjustment mandated by Act 72, SLH 1968 ($2,381). The monies for these reimbursements were specifically appropriated by both Act 147 and Act 72.

Expenditures

Table I compares the amounts actually expended and the amounts budgeted for expenditures during the year. The purpose of this comparison is to note how well the hospital was able to control its actual expenditures and how closely it adhered to its planned program of expenditures.

The total cost incurred by the hospital in rendering nursing, clinical and house services to patients and for general and administrative expenses totaled $321,283, as compared to the budgeted amount of $292,829. Thus, the actual

[1]The operations of both the Hilo Hospital and the Maui Memorial Hospital are financed from their hospital receipts and the State general fund. For each of these hospitals, the State appropriation is made on the basis of the difference between the estimated hospital receipts and the estimated operations costs for the ensuing fiscal year. The excess of receipts in the case of the Hilo Hospital, and the surplus in the case of the Maui Memorial Hospital came about as a result of actual receipts exceeding the estimated amounts.

Since 1961, each of the annual, legislatively-approved general appropriation acts has included a provision that where the operation of a department of a program is financed by both the general fund and non-general funds, the general fund portion shall be decreased to the extent that the receipt of non-general funds approved in the act are exceeded, provided that such decrease shall not jeopardize the receipt of such increased non-general funds, and provided, also, that this provision "shall not apply to any fund if such excess receipts are to be expended for a purpose or purposes approved by the Governor or the director of the Department of Budget and Finance if such authority is so delegated by the Governor." (See section 15, Act 54, SLH 1967.)

expenditures exceeded the budget by $28,454. As shown in Table I (under Resources), this excess was paid primarily with funds transferred from other Act 97 hospitals. A discussion of the major variances between actual and budgeted expenditures follows.

Personal services. Personal services, which include salaries, overtime pay, and pay adjustment actions, totaled $226,267 for the fiscal year 1967-68—approximately 70% of the hospital's total operating expenditures. As shown in Table I, the actual expenditures exceeded the budgeted amount by $16,762. A major portion of the excess was paid with funds transferred from the Hilo Hospital. $11,304 of the excess was due to an increase in salary requirements resulting from a reclassification of the nursing and hospital support positions. These positions were reclassified as a part of the revision of the entire classification system presently being conducted by the State department of personnel services (DPS).[2] The DPS announced the commencement of its study of this class of positions in November 1966 and completed it in July 1967. The actions were made retroactive to December 1, 1966. Thus, the fiscal impact of the reclassification actions was beyond the control of the hospital.

Included in the personal services expenditure total is the sum of $10,900 for overtime incurred during the fiscal year. This amount is $4,319 more than the budgeted amount ($6,671). This excess overtime cost, of course, contributed to the personal services expenditures being in excess of the budget. Overtime is to be expected in the case of hospitals, which, by their very nature, operate around-the-clock, but they are, to a large degree, controllable through proper estimation of the need for them (for example, the number of holidays in a year is known) and through proper planning, scheduling and distribution of work.

We recommend that the hospital review its overtime needs, seek to identify and resolve, where possible, the underlying causes of the excess experienced in fiscal year 1967-68, and annually estimate its requirements with care and properly budget therefor.

Other current expenses. The hospital's other current expenses totaled $89,177, as compared to the budgeted amount of $79,574, resulting in an excess of actual expenditures over the budget of $9,603. A more detailed categorization of the expenditures is contained in Schedule I of Table I. To finance the excess, the hospital requested for and secured $10,000 in the third quarter of the fiscal year from the Hilo Hospital.

[2]The action taken by the DPS on this matter was apparently made without prior consideration of the State's ability to finance the increased cost of salaries. This is made evident in a memorandum dated September 1967 (which was *after* the reclassification was completed) from the State director of finance to the State director of the department of health in which he stated (in part), "While the means of financing this additional cost has not been fully ascertained, it is our hope that through the use of excess receipts, possible deferment of non-essential purchases of equipment, and transfers, the greater part or all of the costs can be met." This kind of reclassification action taken by the DPS without involving the State director of finance to ascertain the cost implications of the intended action is reviewed in our audit report no. 69-4, entitled, *General Audit of the Department of Personnel Services,* dated February 1969. See particularly part II, chapters 2 and 3.

SCHEDULE I OF TABLE I
SCHEDULE OF OTHER CURRENT EXPENSES
Year Ended June 30, 1968

	Actual	Budget	Actual Over [Under] Budget
Nursing Services			
Central Service and Supply	$ 5,787	$ 5,330	$ 457
Operating and Delivery	5,295	3,493	1,802
Emergency and Nursing Service	314	355	[41]
Total Nursing Service	11,396	9,178	2,218
Clinical Services			
Pharmacy	13,085	15,525	[2,440]
Laboratory	6,306	4,885	1,421
Radiology	6,023	8,880	[2,857]
Anesthesiology	3,103	3,045	58
Ambulance and Others	515	540	[25]
Total Clinical Service	29,032	32,875	[3,843]
House Service Expense			
Patient Food Service	19,329	14,595	4,734
Operation of Plant and Maintenance	12,651	8,377	4,274
Laundry and Linen	7,622	7,315	307
Housekeeping	1,353	890	463
Total House Service	40,955	31,177	9,778
Administrative Service Expense			
Insurance	2,447	2,060	387
Office Expense	2,403	815	1,588
Telephone	1,636	1,500	136
Travel	760	1,264	[504]
Others	548	705	[157]
Total Administrative Service	7,794	6,344	1,450
Total Other Current Expenses	$89,177	$79,574	$9,603

Equipment expenditure. The hospital expended \$5,839 for equipment during the fiscal year 1967-68. This amount was \$2,089 in excess of the amount budgeted (\$3,750). As noted earlier under the section on *Resources*, this excess was financed from funds transferred from the Maui Memorial Hospital (Act 97 hospital).

Unencumbered balance

The unencumbered balance of the hospital as of June 30, 1968 was \$1,344. This amount represents the excess of the total resources (funds) available to the hospital over all expenditures paid and obligated by the hospital for the year. The unencumbered balance has since lapsed and reverted to the State general fund.

Chapter 4

HOSPITAL REVENUE

This chapter displays the hospital's revenue statement for fiscal year 1967-68 and discusses the extent to which the State subsidized the hospital during the year. All revenue derived from the operations of the hospital is not earmarked for the hospital's use, but is instead deposited into the State treasury as a part of the State general fund. As discussed in chapter 3, the operation and maintenance of the hospital are financed through annual appropriations by the State legislature from the State general fund.

Statement of Revenue

The statement of revenue for the fiscal year ended June 30, 1968 is shown in Table II. The

TABLE II
STATEMENT OF REVENUE
Year Ended June 30, 1968

	Actual Amount			Actual Cash Over [Under] Budget
	Accrual	Cash	Budget	
Patient services revenue:				
Patient fees	\$180,969	\$175,241	\$155,570	\$19,671
Support and care of indigent patients	48,260	57,469	26,670	30,799
Total patient services revenue	229,229	232,710	182,240	50,470
Other revenue:				
Contractual reimbursement	37,378	14,300	--	14,300
Sale of meals to non-patients	2,023	2,023	1,800	223
Rental of housing	1,775	1,775	1,260	515
Total other revenue	41,176	18,098	3,060	15,038
Total revenue	\$270,405	\$250,808	\$185,300	\$65,508

statement is displayed on both the accrual and cash bases of accounting. The transactions represented by the figures on the accrual basis are not necessarily the same as those transactions represented by the figures on the cash basis. The reason for this follows.

Revenue on the accrual basis includes all amounts which were earned and thus "accrued" to the hospital during the fiscal year. It includes the value of all services rendered during the year, regardless of when collections are made. Some of the revenue earned during the year may not have been collected during the year. Revenue on the cash basis includes only those amounts which the hospital actually collected during the fiscal year, regardless of when services were rendered. Some receipts may have been for accounts which accrued in prior fiscal years.

On the accrual basis, the statement enables the hospital to determine how much revenue was generated as a result of the costs incurred during the fiscal year. On the cash basis, the statement enables one to compare the actual cash collections made by the hospital during the fiscal year with that anticipated in the budget. The State uses the cash basis for budgeting and funding purposes. Thus, any comparison between what actually happened and what was budgeted must be confined to the amounts shown on the cash basis.

Opinion on statement. In our opinion, the statement of revenue presents fairly the revenue earned (accrual basis) or collected (cash basis) during the fiscal year ended June 30, 1968.

Specific variances between the accrual method and the cash basis of accounting for the hospital's revenue and the variances between what actually took place under the cash basis and the budget, together with our comments, are as follows.

Patient services revenue. Patient services revenue includes charges made to (1) the State department of social services for medical services rendered to patients eligible for public assistance and (2) all other patients receiving hospital care.

On the accrual basis, patient services revenue totaled $229,229, and on the cash basis, it was $232,710 for the fiscal year July 1, 1967 to June 30, 1968. The difference in the two figures is that the transactions reflected in the $229,229 are not the same as those transactions reflected in the $232,710. The accrual-based $229,229 represents the total amount of patient services which were rendered during the fiscal year and thus gave rise to a right in the hospital to collect that amount; the cash-based $232,710 represents the total amount actually collected during the fiscal year on account of patient services, regardless of when the services were provided (some of the services may have been provided in prior fiscal years).

The cash-based $232,710 (the amount actually collected during the fiscal year) is $50,470 more than the $182,240 budgeted for the year. This increase in actual revenue collected over the budgeted amount resulted primarily from a 25% increase in the average, daily, patient census from that estimated for budget purposes.

Other revenue. The sum of $18,098 (cash basis) was collected by the hospital as other revenue in fiscal year 1967-68. Under the accrual basis, other revenue totaled $41,176. The reasons for the difference in amounts under the accrual and cash bases are similar to the reasons given for the difference in *patient services revenue.* Other revenue includes (1) medicare and medicaid contractual reimbursements, (2) charges for meals to non-patients, and (3) rentals from hospital and other State employees occupying hospital rental quarters. The contractual reimbursements from medicare and medicaid represent the hospital's claim for the difference between the reasonable cost of providing services to medicare and medicaid patients and the provisional payments made to the hospital for these services.

Actual revenue collections of $18,098 exceeded the estimated amount ($3,060) by $15,038. This excess was caused by contractual reimbursements from medicare. Since the hospital had no prior experience with the then relatively new medicare program, no estimate of medicare revenue was included in the hospital's 1967-68 budget.

State Subsidy

As stated earlier, the operation of the Honokaa Hospital is funded entirely by the State general fund and the revenue generated from the services rendered by the hospital is deposited into the State treasury to the credit of the general fund. However, for the purpose of indicating the extent to which the State subsidized the hospital during the fiscal year, the total revenue collected and the total expenditures made are summarized here.

Excess of expenditures over revenue collected. The total expenditures made exceeded the total revenue collected by $70,475.

Total expenditures (Table I)	$321,283
Total revenue collected (Table II)	250,808
Excess of expenditures over revenue	$ 70,475

The $70,475 represents the amount by which the State subsidized the operation of the hospital. The subsidy is approximately 22% of the total operating expenditures. The need for State subsidy is apparent from the occupancy rate of the hospital. During the fiscal year, there were 52 available beds, but the average, daily, patient census was only 25.5. This means that, on the average, half of the hospital beds were not filled throughout the year. Economically, of course, the lower the average, daily, patient census (in the light of the number of beds available), the higher the per patient cost. Based on economic factors alone, then, there appears to be considerable merit to the health facilities planning council's proposed establishment of a general hospital in Kamuela to service Kamuela, Kohala and Honokaa and the gradual phase-out of the Honokaa Hospital.

Additional costs not under the control of the hospital. There were other expenditures which were made during the year to defray the cost of operating the hospital, but which are not included in the amount of expenditures shown above. The reason for the non-inclusion is that monies for these expenditures were budgeted, appropriated and expended by other State and county agencies and were not within the control of the hospital. A summary listing of these additional expenditures and the expending agencies are as follows:

Fringe benefits for hospital employees (including the State's portion of payroll taxes, retirement system contributions, dental and health insurance premiums, unemployment compensation benefit) expended by the State department of budget and finance	$35,167
Staff services provided by the county of Hawaii to the hospital, the cost of which was expended by the county	6,991
	$42,158

The investment cost of capital improvements is also not included in the statement of operating expenditures. These additional costs further increase the amount by which the State subsidized the hospital during fiscal year 1967-68.

Proposed rate changes. In an effort to bring revenue more in line with expenditures, the State department of health is studying the matter of restructuring the rates and charges of the Act 97 hospitals. The department's proposed rate changes for the hospitals within the Hawaii county hospital system are shown in Exhibit II.

EXHIBIT II

PROPOSED HOSPITAL RATE CHANGES FOR
HONOKAA HOSPITAL
KOHALA HOSPITAL
KONA HOSPITAL

Services	Present Rates	Proposed Rates
Acute	$23.50 private, per day 19.00 semi-private, per day 16.00 ward, per day	$31.25 private, per day 27.50 semi-private, per day 23.75 ward, per day
Long Term	$23.50 private, per day 19.00 semi-private, per day 16.00 ward, per day	$26.50 private, per day 22.75 semi-private, per day 19.00 ward, per day
Nursery	$6.00 regular, pèr day 7.00 boarder, per day 8.00 premature, per day	$22.75 regular, per day 26.00 boarder, per day 30.75 premature, per day
Operating Room	Major operation: $25.00 first 30 minutes, $7.50 each 15 minutes thereafter Minor operation: $15.00 first 30 minutes, $3.00 each 15 minutes thereafter	One rate for both major and minor operations: $38.00 first 30 minutes, $13.00 each 15 minutes thereafter
Delivery Room	$25.00 per delivery 5.00 circumcision	$53.25 per delivery 11.00 per circumcision
Anesthesia	$30.00 first 30 minutes 3.00 each 10 minutes thereafter	$26.00 first 30 minutes 5.00 each 15 minutes thereafter
Emergency Room	$1.50 basic fee, 7 a.m. to 5 p.m. weekdays, plus supplies and drugs $3.00 plus supplies and drugs at all other times	$7.25 basic rate, plus supplies and drugs
Ambulance	$5.00 plus 50 cents a mile for first 50 mile round trip, 25 cents a mile thereafter	$7.00 plus 70 cents a mile thereafter

Chapter 5

ASSETS AND TRUST FUND

The hospital is responsible for certain assets and a trust fund. This chapter presents and discusses our findings regarding the administration of these assets and the trust fund.

Assets

Petty cash fund. The hospital maintains a petty cash fund of $200 which is located in the business office of the hospital. This fund is used to give change when payments for services are made and for minor expenses such as postage and freight.

County accounts receivable. County accounts receivable at June 30, 1968 totaled $52,370. This amount represents the unpaid balance of hospital charges for services rendered while the hospital operated as a county institution (prior to Act 97). It is highly doubtful that any significant collections can be made on these accounts, since they date back to 1965 and earlier. Most of the accounts are either in the hands of a collection agency or are inactive for reasons such as death, statute of limitations, disappearance, and bankruptcy.

There is apparently no statutory authority that permits the removal of uncollectible accounts, otherwise receivable by the county, from the accounting records of the hospital. On the other hand, with respect to accounts receivable by the State, section 40-82, HRS, permits the removal, with the approval of the State attorney general, of those accounts which are more than two years delinquent and are clearly uncollectible by reason of the death, disappearance, or bankruptcy of the debtors. *We recommend that the State legislature enact legislation similar to section 40-82, HRS, to permit the hospital to delete from the records those county accounts receivable which are clearly uncollectible.*[1]

State accounts receivable. At June 30, 1968, the State accounts receivable totaled $53,769. This amount is the unpaid balance of hospital charges for services rendered since the hospital began operating under State jurisdiction (subsequent to Act 97). Approximately 72% or $38,855 of the total ($53,769) represents delinquent accounts. Accounts totaling $22,268 (41% of the total accounts receivable) were past due for more than 90 days on June 30, 1968, and some other accounts have had no collection since August 1965.

This extremely high rate of delinquency is largely due to laxity in the enforcement of collection of the accounts. Since our inquiry into this matter, the hospital has submitted some of these delinquent accounts to a private collection agency.[2] Another reason for this unusually large amount of past due accounts is that the hospital has used a rather limited definition of what constitutes a delinquent account. At the time of our audit, we noted that grossly or unreasonably slow-paying accounts were not considered delinquent.

In July and December 1968, the administrative director of the Hawaii county hospital system issued certain memoranda to all hospitals in the system regarding billing and collection procedures. The July memorandum formalized the collection procedures by listing the specific actions that should be taken by the hospitals to collect unpaid balances from persons responsible for payments. In essence, statements are to be sent out monthly with reminders and notices attached to overdue accounts. Accounts that are 90 days overdue and are difficult to collect are to be turned over to a collection agency upon the approval of the superintendent of the responsible hospital. The December memorandum initiated a credit procedure for the hospitals. Promissory notes are to be secured for all accounts not paid in full on the discharge of patients. The notes are to provide for monthly payments of not less than $5. Debtors are to be encouraged to settle their accounts as soon as possible. *We recommend that the hospital adhere to these directives.*[3]

Contractual reimbursements. At June 30, 1968, contractual reimbursements due the hospital totaled $39,616. This sum consists of claims against medicaid and medicare for the difference between the reasonable cost of providing services to medicare and medicaid patients and the provisional payments made to the hospital for these services. These claims are subject to audits by medicare and medicaid representatives before final settlements are made. A summary of these unpaid claims as of June 30, 1968 is as follows:

	Total Claims
Medicare	$22,314
Medicaid	17,302
Total	$39,616

Inventories

1. Drugs and supplies. Drugs and supplies inventory totaled $31,249 at June 30, 1968 (valued at cost). The inventory includes a wide

[1] The passage of House Bill No. 740, H.D. 1, S.D. 1, 1969 legislative session, conceivably will require the transfer of these county accounts receivable to the State as "personal property" used in the operation and maintenance of the hospital. If such be the case, these county accounts receivable will become State property and be subject to section 40-82, HRS.

[2] Section 146-65, RLH 1955, provides that "all hospitals owned or operated by the county of Hawaii may hire private collectors to handle the collection of delinquent accounts." This section does not appear in the recently issued Hawaii Revised Statutes; it was superseded by the enactment of Act 97, SLH 1965, Act 14, SLH 1966, and Act 203, SLH 1967. (See section 9, Act 29, SLH 1966.) The present authority of the hospital to hire private collectors to handle the collection of delinquent accounts is thus in doubt.

[3] But see footnote 2 above.

variety of items, such as drugs and pharmaceuticals, groceries, and hospital and office supplies.

2. *Property.* A summary inventory of fixed property items under the control and responsibility of the Hospital at June 30, 1968 is as follows:

Land improvements		$ 30,905
Buildings		407,186
Equipment		153,852
		591,943
Less depreciation accumulated:		
Prior to July 1, 1967	$443,308	
During year ended June 30, 1968	33,693	477,001
Total property (net)		$114,942

All assets are valued at cost, except that donated items are valued at market value estimated at the time of their donations. Governmental units do not ordinarily recognize depreciation; the cost of acquiring property, once paid for, is considered sunk and is not thereafter recognized in funding and budgeting. However, effective July 1, 1966, the hospital adopted the practice of recording depreciation of property. It did so because depreciation is an allowable expense in computing costs reimbursable by the federal government under the medicare and medicaid programs.

Land improvements include sewer lines, roads and landscaping. Buildings include a wooden frame hospital building, an isolation unit adjacent to the hospital and four cottages located on the hospital grounds. Since August of 1964, the isolation unit has been leased to and operated by the Salvation Army as a care home (Hale Malama). The buildings are currently being improved or remodeled to meet certain requirements of the Social Security Act Amendments of 1965 (medicare program) and to correct certain fire hazards. The improvements include the installation of a fire sprinkler unit, installation of an air conditioning unit in the operating room, conversion of an existing room to a day room and improvement of the present bathroom facilities.

Included in the hospital's annual inventory are several obsolete, abandoned, and idle equipment. Among these is a laundry equipment which has remained idle since July 1967. The hospital has initiated no action to dispose of such obsolete, abandoned and idle equipment.

We recommend that the hospital review its property inventory and make proper disposition of items which are not usable or needed in the operation of the hospital.

Trust Fund

The hospital holds in trust monies belonging to patients. Generally, these patients are senior citizens who require skilled nursing, home services, and are on welfare. The monies held are used primarily to purchase essential personal articles for these patients.

No accounting for transactions. The hospital does not maintain accounting records and sufficient documentation to support transactions of the patients' trust fund. The fund is administered through an "envelope banking system." Under this system, an envelope is maintained for each patient. Cash belonging to a patient is placed in his envelope and is removed from the envelope as needed for disbursements. The balance remaining in each envelope is not known unless an actual count of the cash is made. This system offers opportunities for misappropriation. We believe that the hospital, as the custodian of the patients' personal funds, should maintain proper accounting records. This task should not be difficult since there are only a small number of accounts to maintain.

We recommend that the hospital maintain adequate accounting records of the patients' trust fund and that all transactions of the fund be supported by proper substantiating documents. We believe that this recommendation will insure proper accountability of all receipts and disbursements of the trust fund.

Chapter 6

INTERNAL CONTROL AND SELECTED PROBLEMS

This chapter contains our findings and recommendations on the hospital's internal control system and on specific problems and issues reflected by the practices of the Honokaa Hospital.

Internal Control

The term, *system of internal control,* means the plan of organization and all of the methods and measures adopted within the hospital to check the accuracy and reliability of accounting data, to promote operational efficiency, and to encourage adherence to prescribed laws, policies, and rules and regulations of the State, the State department of health, the county of Hawaii and the Honokaa Hospital. A sound system of internal control includes two basic elements. The first is a system of authorizations and recording procedures to provide adequate and reasonable accounting control over assets, liabilities, revenues and expenditures in accordance with generally accepted accounting principles, the laws, policies, and rules and regulations of the State, department of health, the county and the hospital. The second is an appropriate segregation of duties assigned in a manner that no one individual controls all phases of a transaction without the interrelated function of a cross-check by some other individual.

Control, generally. Where there are a limited number of personnel, the possibility of setting up an ideal system of internal control is severely curtailed. Such limitation exists at the hospital. Specifically, this situation is present in the areas of cash, accounts receivable, and inventory controls. Because of the small staff available for control purposes in the above areas, an appropriate segregation of duties is impracticable. In such a situation, constant surveillance on the part of the hospital's management is the principal and only practical means of safeguarding the assets under its control.

Non-compliance with perquisite policies. Our audit revealed that the hospital has not complied with certain policies and procedures relating to perquisites.[1]

Prior to April 2, 1968, perquisites were governed by county policies and procedures. However, on April 2, 1968, the State department of health, with the approval of the governor, issued certain policies and instructions to be followed by all public hospitals. Among the instructions was one stating that "all hospitals will follow the department of health perquisite policy." The State department of health's policy on perquisites requires all executive officers of divisions to submit to the director of health reports on all employees to whom perquisites are granted.

Certain employees of the hospital receive perquisites such as meals and housing. However, the hospital has not submitted to the director of health any report on these employees receiving perquisites.

We recommend that the hospital adhere to the State policy and immediately submit the required perquisite reports to the director of health. A review of the perquisites will give the director a chance to determine whether the perquisites are properly allowable under the State policy.

Selected Problems

Some of the operational practices existing at the Honokaa Hospital are similar to those we found at the Kula Sanatorium and the Hilo Hospital when we conducted audits of those institutions. In these instances, our recommendations are generally similar to those we made in our reports on the audits of the Kula Sanatorium[2] and the Hilo Hospital.[3]

Vending machine. There is a vending machine in the hospital building. Revenue from this vending machine is used by the hospital's employee association. This situation is not unique to the Honokaa Hospital. Other public institutions and agencies throughout the State do from time to time install vending machines in public buildings and utilize the revenue for the benefit of employees or, in some cases, patients.[4] Revenue generated from the use of space in public buildings (such as from vending machines in public hospitals) is public funds.

We do not question the benefits derived from the use of the revenue for employees' activities, but there is neither a statute nor governmental policy which permits such non-operational use of what otherwise is public funds. *Until some statutory authority is found and governmental policy formulated to permit earmarking of the income for use by employees, we recommend that all revenue from the vending machine be treated and deposited as hospital revenue and included in the hospital's revenue estimates for budget purposes.*

The State department of health, in August 1968, requested the State attorney general for an opinion as to the legality of using revenue from vending machines in public hospital buildings for employee and patient purposes. The attorney general has not as yet rendered such opinion.

Free coffee for employees. At the time of our audit, the hospital had a long established practice of providing free coffee to hospital employees. There was no justifiable reason for this gratuity. It constituted an unwarranted preferential treatment of the Honokaa Hospital employees over other governmental employees.[5] We recommended to the hospital that this practice be discontinued immediately. We are pleased to report that prior to the writing of this report, the hospital adopted this recommendation. The hospital employees are now required to pay for coffee.

Sale of silver residue. In the process of developing exposed X-ray films, residue of silver settles in the solution tank. This residue is a marketable product which can be sold for profit to mainland processors. The X-ray technician, through his own resourcefulness, has collected and sold the residue to mainland processors for his personal profit. The amount he actually receives from such sales is unknown, although we are informed that the amount is not substantial. We are also informed that collection of the residue involves but minimal amount of time or expense.

Except for the resourcefulness of the hospital's X-ray technician, the residue would be washed down the drain in the normal course of developing the X-ray films. Nevertheless, the residue is collected from films owned by the hospital and, technically at least, the exposed

[1] The State department of health, in its *Policies and Procedures on Perquisites*, dated October 27, 1964, defines perquisites as, "Those things furnished or services rendered to an employee by the State government which have value to the employee by reducing his personal expenses."

[2] Legislative Auditor, *Management Audit of Kula Sanatorium: A Report to the Governor and the Legislature of the State of Hawaii*, report no. 67-2, February 1967.

[3] Legislative Auditor, *Financial Audit of the Hilo Hospital: A Report to the Governor and the Legislature of the State of Hawaii*, report no. 68-8, April 1968.

[4] Legislative Auditor, *Management Audit of Kula Sanatorium*, pp. 82-83 and *Financial Audit of the Hilo Hospital*, p. 22.

[5] Legislative Auditor, *Financial Audit of the Hilo Hospital*, p. 23.

and developed films constitute public property. Income derived from the use of public property is public funds, and any use of public funds for a personal, private purpose is constitutionally prohibited.

The practice of collecting silver residue and selling it to mainland processors is not uncommon at institutions which do much X-ray film processing. The problem is that there is no established policy regarding the collection and sale of the residue.[6]

We recommend that the State department of health establish a policy for its institutions which process X-ray films, making the collection of silver residue a part of the X-ray technician's duties and that all revenue from the sale of such residue be deposited into the State general fund, provided that such an undertaking is advantageous to the State.

Radiologist contract. In May 1967, the Hilo Hospital entered into a one-year contract with a radiologist for radiological services to be provided to the Hilo Hospital and all other hospitals in the Hawaii county hospital system. The contract provided for a fee to the radiologist of 33-1/3% of 95% of the hospital's gross billings. However, during the fiscal year, the Honokaa Hospital compensated the same radiologist at a fee of 25% of the hospital's adjusted gross billings[7] instead of 33-1/3%. We understand that the Honokaa Hospital has been compensating the radiologist at the lower rate since 1961, under a "mutual understanding" arrangement. Apparently there was no objection raised by the radiologist during the past fiscal year to payment at the lower rate.

There is some question as to whether or not the Hilo Hospital had any authority to bind all of the public hospitals in the county of Hawaii back in May 1967. The May 1967 contract was executed by the managing committee of the Hilo Hospital, but, as pointed out in a memorandum of opinion issued by the State attorney general,[8] as a result of Act 97, SLH 1965, the managing committee derived its source of power (prior to Act 203, SLH 1967) from the State-Hawaii county contracts entered into pursuant to Act 97 and Act 14, SLH 1966. The contracts between the State and the county of Hawaii for fiscal years 1965-66 and 1966-67 said nothing about the power of the managing committee of the Hilo Hospital to contract for all other public hospitals in the county.

In the absence of any objection by the radiologist to the payment of the lower fee, the question is apparently moot with respect to the Honokaa Hospital's contractual obligation in fiscal year 1967-68. It should be noted, however, that in May 1968, another one-year contract was executed by the Hilo Hospital with the radiologist, containing the same coverage over all other public hospitals in the county; this time, however, the contract was signed by the superintendent of the Hilo Hospital, who also acts as the administrative director of the Hawaii county hospital system. It is our understanding that notwithstanding this new 1968 contract, the Honokaa Hospital is continuing to pay the radiologist at the lower 25% rate.

We recommend that the State department of health and the Hawaii county review the matter of the Honokaa Hospital's legal obligations to the radiologist and that such corrective action as may be necessary be taken.

Automobile allowance. The office manager of the Honokaa Hospital receives a flat automobile allowance of $25 a month for the use of his private automobile on official business.

Generally, government employees who are required to use their personal automobiles on official government business are compensated for such use by either (1) reimbursements based on mileage, or (2) flat monthly allowances. A flat monthly allowance is granted only in exceptional cases where the use of a private automobile is so extensive that it is administratively impracticable to separate the personal from business use.

Although the office manager makes daily official trips, we do not find that his automobile is used so extensively that he warrants a flat monthly allowance. The duties of the office manager are generally confined to the business office, and official trips for the hospital are generally predictable and the mileage easily determinable.

We recommend that the flat monthly automobile allowance of the office manager be discontinued and that he be reimbursed on a mileage basis for the use of his private automobile on official hospital business.

[6]Legislative Auditor, *Management Audit of Kula Sanatorium*, pp. 83-84.

[7]"Adjusted gross billings" is derived by deducting the costs of patients' initial chest X-rays from the gross billings.

[8]Attorney general's opinion no. 65-17.

PART III
SUMMARY

Section 23-4, Hawaii Revised Statutes, requires the office of the auditor to conduct post-audits of all transactions and of all books and accounts kept by State departments and county agencies. Pursuant to this requirement, the office of the auditor examined the Honokaa Hospital's financial records for, and the transactions had during the fiscal period July 1, 1967 to June 30, 1968.

The audit was conducted to determine the propriety of the hospital's financial transactions, the accuracy and reliability of its financial records, and the adequacy of the hospital's controls to safeguard its assets against loss, waste, fraud and extravagance.

Our major findings and recommendations are summarized below.

Hospital Operating Resources and Expenditures

1. **Opinion on financial statement.** In our opinion, the hospital's statement of appropriation, expenditures and unencumbered balance, as of June 30, 1968, presents fairly the hospital's operating resources, expenditures and unencumbered balance for the fiscal year July 1, 1967 to June 30, 1968.

2. **Resources.** The State general fund pays for the operation and maintenance of the hospital. The amounts required annually are appropriated by the State legislature. All revenue collected by the hospital for services rendered is not earmarked for the hospital's use, but is instead deposited into the State treasury as general fund revenue. For fiscal year 1967-68, the legislature appropriated $292,829 (Act 54, SLH 1967). In addition, because expenditures were outpacing the budget, the hospital secured, at various times during the year, a sum total of $24,809 from the Hilo Hospital's special fund which had an excess of receipts over requirements. It also secured $2,090 from the Maui Memorial Hospital on the governor's recommendation that Maui Memorial's special fund $35,960 surplus be allocated to other Act 97 hospitals for equipment purchases. The Honokaa Hospital was also entitled on June 30, 1968 to reimbursement (under Act 147, SLH 1967, and Act 72, SLH 1968) totaling $2,899 for nightshift differential pay and blue collar salary adjustments.

3. **Expenditures.** The hospital expended during the year the total sum of $321,283. The budget for the year was $292,829. The nature of the $28,454 excess, actual expenditures is summarized thus:

Expenditure	Actual	Budget	Actual Over [Under] Budget
Personal services	$226,267	$209,505	$16,762
Other current expenses	89,177	79,574	9,603
Equipment	5,839	3,750	2,089
Total expenditures	$321,283	$292,829	$28,454

Personal services cost $16,762 more than the amount budgeted primarily for two reasons: *First,* salaries increased when the State department of personnel services, as a part of the revision of the State classification system, reclassified the hospital's nursing and support positions. *Second,* overtime payments exceeded the budget by $4,319. Although a certain amount of overtime can be expected in any organization, effective advance planning to meet the organization's requirements can reduce overtime to a minimum. *We recommend that the hospital review its overtime needs, seek to identify and resolve, where possible, the underlying causes of the excess experienced in fiscal year 1967-68, and annually estimate its requirements with care and properly budget therefor.*

The equipment excess expenditures of $2,089 was paid for entirely with the money transferred from the Maui Memorial Hospital.

4. **Unencumbered balance.** On June 30, 1968, the hospital had an unencumbered balance (excess of total available resources over all expenditures paid and obligated by the hospital in the year) of $1,344. This excess amount lapsed and reverted to the State general fund.

Hospital Revenue

The hospital's statement of revenue for fiscal year ended June 30, 1968 is presented on both the accrual basis and the cash basis of accounting. On the accrual basis, the amounts *earned* for services rendered during the fiscal year are reported as revenue. On the cash basis, the amounts actually *collected* during the fiscal year, without regard to when the amounts were earned, are reported as revenue. The cash basis is used by the State for budgeting and funding purposes.

1. **Opinion on revenue statement.** In our opinion, the hospital's statement of revenue presents fairly the revenue earned (accrual basis) and the revenue collected (cash basis) by the hospital during the fiscal year.

2. **Revenue.** On the accrual basis, $270,405 was earned during the fiscal year—$229,229 from individual patients, $37,378 from medicare and medicaid, and $3,798 from non-patients for meals and housing.

On the cash basis, a total of $250,808 was collected. Collections from individual patients totaled $232,710. This was $50,470 more than the $182,240 anticipated in the budget. The increase resulted primarily because the actual, average, daily, patient census was approximately 25% over the estimated census. Collections from medicare and medicaid totaled $14,300, and collections from non-patients totaled $3,798.

3. **State subsidy**. The amount by which the State subsidized the hospital during the year is derived by comparing the hospital's total expenditures against its total revenue collections for the year. Such comparison shows that the State subsidized the hospital to the extent of $70,475 thus:

Total expenditures	$321,283
Total revenue collected	250,808
State subsidy	$ 70,475

The need for State subsidy is readily apparent. Although the hospital has 52 beds, its average, daily, patient census in fiscal year 1967-68 was only 25.5. As a matter of economics, the lower the occupancy rate, the higher is the per patient cost. Based on economic factors alone, there appears to be considerable merit to the health facilities planning council's proposal to establish a general hospital in Kamuela to service Kamuela, Honokaa and Kohala and to phase-out the Honokaa Hospital.

The amount of State subsidy noted above does not include expenditures made by other government agencies for the hospital during the fiscal year, such as the amounts expended by the State department of budget and finance for hospital employees' fringe benefits, the amounts expended by the county of Hawaii for staff services to the hospital, and the investment costs for capital improvements.

In an effort to bring revenue more in line with expenditures, the State department of health has been studying the matter of restructuring the rates of all Act 97 hospitals and has recently proposed rate changes for the Hawaii county hospitals.

Assets and Trust Fund

At June 30, 1968, the hospital had under its control the following assets and trust fund: a petty cash fund of $200; drugs and supplies of $31,249; land, building and equipment of $114,942; accounts receivable of $145,755; and a patients' trust fund.

1. **County accounts receivable.** Of the total accounts receivable, $52,370 represents the unpaid balance of hospital charges for services rendered while the hospital operated as a county institution (prior to Act 97). It is highly doubtful that any significant collections can be made on these accounts. They date back to 1965 and earlier and many are inactive for reasons of death, statute of limitations, disappearance, and bankruptcy. There is apparently no statutory authority that permits the removal of uncollectible accounts, otherwise receivable by the county, from the accounting records of the hospital. *We recommend that the State legislature enact legislation similar to section 40-82, HRS, (for State accounts receivable) to permit the hospital to delete from the records those county accounts receivable which are clearly uncollectible.*

2. **State accounts receivable.** The balance of the accounts receivable totaling $93,385 represents the amount due the State for services rendered since the hospital began operating under State jurisdiction. Approximately $53,769 is due from private patients. Of this, $38,855 represents delinquent accounts. This high rate of delinquency is attributable to laxity in enforcing collections and to a rather limited definition of what constitutes a delinquent account. In July and December 1968, the administrative director of the Hawaii county hospital system issued memoranda to all Hawaii county hospitals relating to the establishment of uniform billing and collection procedures. *We recommend that the hospital adhere to these directives.*

3. **Equipment.** The hospital's annual inventory report includes several obsolete, abandoned, and idle equipment. The hospital has initiated no action to dispose of these equipment. *We recommend that the hospital review its property inventory and make proper disposition of items which are not usable or needed in the operation of the hospital.*

4. **Patients' trust fund.** In administering the patients' trust fund, consisting of monies belonging to nursing home patients, the hospital has failed to maintain accounting records and sufficient supporting documentation of the fund's transactions. Each patient's money is accounted for simply by placing his cash receipts into an envelope marked in his name and by removing therefrom cash as needed. The balance in the envelope at any one time is not known unless it is actually counted. This system offers opportunities for misappropriation. *We recommend that adequate records be maintained by the hospital for the trust fund and that all transactions be properly supported by substantiating documents.*

Internal Control and Selected Problems

1. **Internal control.** A system of internal control is required to insure accuracy and reliability of financial data, to promote operational efficiency and to assure adherence to laws, policies, rules and regulations. Included in any system of internal control is the principle of "cross-check"; that is, the separation of duties such that no one individual handles all phases of a transaction. The small staff at the hospital, however, precludes the structuring of an ideal system of internal control. As long as this condition exists, constant surveillance on the part of management is the principal and only feasible means of safeguarding the hospital's assets.

Non-compliance with perquisite policies. Employees at the hospital enjoy certain perquisites. However, the hospital has failed to comply with the State policy which requires the submission to the State director of health of reports on all employees to whom perquisites are granted. *We recommend that the hospital adhere to the State policy and immediately submit the required perquisite reports to the director of health.*

2. **Selected problems.** Certain problems existing at the hospital are similar to those we found at the Kula Sanatorium and the Hilo Hospital when we conducted audits of those institutions. Our recommendations with respect to the Honokaa Hospital are, in these cases, generally similar to those which we made in the audit reports of those hospitals.

a. Revenue from vending machine. Commissions from a vending machine located in the hospital building are used for the benefit of hospital employees. That revenue, however, is public funds, since it is generated from the use of space in a public building. There is neither a statute nor governmental policy which permits the use of that public money for employee benefit. *Until some statutory authority is found and governmental policy formulated to permit earmarking of the income for use by employees, we recommend that all revenue from the vending machine be treated and deposited as hospital revenue and included in the hospital's revenue estimates for budget purposes.*

b. Free coffee for employees. At the time of our audit, we noted that the hospital provided free coffee to its employees. We recommended that the hospital discontinue this practice since it gave benefits to its employees not offered to other governmental employees. The hospital has adopted our recommendation, and its employees are now required to pay for coffee.

c. Sale of silver nitrate. The hospital's X-ray technician, through his own resourcefulness, has captured the silver residue from exposed X-ray films and has sold it for personal profit. Since the films constitute public property, any income derived from the use of that property is technically State money. Any use of public funds for a personal, private purpose is constitutionally prohibited. *We recommend that the State department of health establish a policy for its institutions which process X-ray films, making the collection of silver residue a part of the X-ray technician's duties and that all revenue from the sale of such residue be deposited into the State general fund, provided that such an undertaking is advantageous to the State.*

d. Radiologist contract. In May 1967, the managing committee of the Hilo Hospital entered into a one-year contract with a radiologist for radiological services to be provided to the Hilo Hospital and all other public hospitals in the Hawaii county hospital system. The contract provided for a fee to the radiologist of 33-1/3% of 95% of the hospital's gross billings for such services. However, in fiscal year 1967-68, the Honokaa Hospital has compensated the radiologist at a lower rate (25% of adjusted gross billings). It has been compensating the radiologist at this lower rate since 1961, under a "mutual understanding" arrangement. Apparently there was no objection

raised by the radiologist during the past fiscal year to payment at the lower rate.

There is some question as to whether or not the managing committee of the Hilo Hospital had the authority in May 1967 to bind all of the public hospitals in the county of Hawaii. In the absence of any objection by the radiologist, the 1967-68 payments are perhaps now moot. But, in May 1968, the Hilo Hospital entered into the same contract with the radiologist for another year. This time the contract was signed by the superintendent of the Hilo Hospital (who is also the administrative director of the Hawaii county hospital system). The Honokaa Hospital is, however, still continuing to pay the radiologist at the lower rate.

We recommend that the State department of health and the Hawaii county review the matter of the Honokaa Hospital's legal obligations to the radiologist and that such corrective action as may be necessary be taken.

e. Automobile allowance. The office manager of the Honokaa Hospital receives a flat monthly automobile allowance of $25 a month for the use of his private automobile on official business. Generally, flat monthly allowance is granted only in exceptional cases where the use of private automobile is so extensive that it is administratively impracticable to separate the personal from business use. We do not find that the office manager's auto is used so extensively that it warrants reimbursement on a flat monthly allowance basis. *We recommend that the flat monthly automobile allowance of the office manager be discontinued and that he be reimbursed on a mileage basis for the use of his private automobile on official hospital business.*

PART IV
A MEMORANDUM ON THE COMMENTS MADE BY THE AFFECTED AGENCIES

Upon its completion in May 1969, we distributed copies of the preliminary draft of this report to the acting superintendent of the hospital, the administrative director of the Hawaii county hospital system, and the director of the State department of health for their comments. Copies of our transmittal letters are attached as Attachment nos. 1, 2 and 3. In our letter to the administrative director of the Hawaii county hospital system, we asked that he respond on behalf of the hospital. His response is attached as Attachment no. 4. The response of the State director of health is attached as Attachment no. 5.

Generally, the administrative director of the Hawaii county hospital system and the State director of health have expressed agreement with our findings and recommendations. The administrative director, however, has taken exceptions to a few of our findings and recommendations. These exceptions and our comments are as follows.

Overtime Needs

We noted in our report that expenditures for overtime and other pay exceeded the budget ($6,671) by $4,319. We recommended that the hospital identify and resolve, where possible, the underlying causes of the excess and annually estimate its requirements with care and properly budget therefor. The administrative director responded, in part, as follows:

"The major cause for the 1967-68 fiscal year overtime costs exceeding the budget was cash overtime payments, the bulk of which are for holiday work, where previously the staff had been taking compensatory time."

Our comment. The administrative director infers that cash overtime payments in lieu of compensatory time-off by employees could not be anticipated. We do not agree. Legislation requiring the payment of cash for overtime, except where the employee elects, in writing, to take compensatory time-off in lieu of cash, was enacted by the State legislature in 1966 (effective July 1, 1966). The hospital should have thus anticipated cash payments for overtime in its budget for fiscal year 1967-68.

Radiologist Contract

In May 1967, the managing committee of the Hilo Hospital entered into a one-year contract with a radiologist for his services to the Hilo Hospital and all other hospitals in the Hawaii county hospital system. Our audit revealed that the Honokaa Hospital had been compensating the radiologist at a lower rate than that provided in the contract. Payments at the lower rate were made under a "mutual understanding" arrangement which has existed between the hospital and the radiologist since 1961. Apparently there was no objection raised by the radiologist during the past fiscal year to payment at the lower rate. In our report we questioned the binding nature of the contract executed by the Hilo Hospital managing committee on the Honokaa Hospital, but noted that in May 1968, the same contract was executed for another year. This time the contract was executed by the superintendent of the Hilo Hospital, who is also the administrative director of the Hawaii county hospital system. Despite this new contract, the Honokaa Hospital has continued to pay the radiologist at the lower rate. We recommended that the State department of health and the Hawaii county review the matter of the Honokaa Hospital's legal obligations to the radiologist and that such corrective action as may be necessary be taken.

The hospital responded, thus:

"Because of the lack of qualified radiologists and the small volume of business generated at a rural hospital, the only feasible arrangement was to have Hilo Hospital's radiologist handle the rural hospital business at his private office which is permitted under the contract. The radiology interpretation charge is negotiated with the hospital. The radiologist has agreed to continue the same percentage arrangement with Honokaa Hospital through his private office in Hilo because the professional services he renders for Honokaa Hospital are not equivalent to the on-site professional services he is able to offer at the Hilo Hospital Radiology Department. When and if his radiological services to Honokaa Hospital are upgraded and improved, readjustments of percentage can be negotiated."

Our comment. The administrative director has attempted to justify the payment of a lower rate by the Honokaa Hospital on the grounds that the services to the rural hospitals are not equivalent to those offered at the Hilo Hospital. We pass no judgment on this. However, it still does not alter the terms of the written contract entered into between the radiologist and the Hilo Hospital which reads, "The Doctor's fee for services required by the

County's rural hospitals shall be based on the same schedule of charges as that officially adopted at Hilo Hospital." We believe it would be wise to clarify the legal effect of the unwritten understanding in the light of the written contract.

Automobile Allowance

In our report we recommended that the flat monthly automobile allowance paid to the office manager be discontinued and that he be reimbursed on a mileage basis for the use of his private automobile on official hospital business. This is because we did not find that the office manager used his auto so extensively that it was administratiely impracticable to separate the personal from the business use of his auto. The administrative director responded thus:

"I had authorized the office manager to receive a flat automobile allowance of $25.00 a month for the use of his private automobile on official business for the following reasons:

"1. Honokaa Hospital has no other government vehicle except the ambulance.

"2. It is more economical to pay an allowance rather than to purchase and maintain an automobile for this purpose.

"3. His daily routine business trips to and from the hospital are normally short ones which require constant recording and paper work but there are numerous other unpredictable official trips he must make in and around the locality. He is now the Acting Superintendent of the hospital, and has other related duties which require more traveling.

"4. We believe that $1.19 per working day is an inexpensive rental payment for an automobile."

Our comment. The office manager must travel approximately 250 miles per month to account for an allowance of $25 per month. During the audit, we observed that the office manager's daily trips were generally confined to going to the bank and post office which are located within one mile of the hospital. Other official trips by the office manager are generally predictable and mileage easily determinable. Thus, we do not think that a flat monthly auto allowance is justified.

The question of whether the hospital ought to purchase and maintain an automobile or to utilize the automobile belonging to an employee is a separate question entirely from one of, if an employee's auto is to be used, whether or not the employee should be reimbursed on a flat monthly allowance basis or on a mileage basis. Under existing State policies, flat monthly allowances are granted, as we stated in our report, only in exceptional cases where the use of the personal vehicle on official business is so extensive that it is administratively impracticable to separate the public use from the non-public use of the personal vehicle.

COPY **THE OFFICE OF THE AUDITOR** Attachment No. 1

State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

May 16, 1969

Mr. Jitsuo Kotake
Acting Superintendent
Honokaa Hospital
Honokaa, Hawaii 96727

Dear Mr. Kotake:

Enclosed is a copy of our preliminary report on the financial audit of the Honokaa Hospital for the fiscal year ended June 30, 1968. The term, "preliminary," indicates that the report has not been released for general distribution. However, copies of the report have been transmitted to the Administrative Director of the Hawaii County Hospital System, the Mayor of the County of Hawaii, the Director of the State Department of Health, the Governor, and the presiding officers of both houses of the State Legislature.

The report contains several recommendations. I have asked Mr. Frank Keifer, as the Administrative Director of the System, for his written comments on them, including information as to the specific actions your hospital has taken or intends to take with respect to each of them. I have also asked the Director of the State department of Health for his comments. Their comments must be in our hands by May 29, 1969. The report will be finalized and released shortly thereafter.

We sincerely appreciate the assistance and cooperation which you and members of your staff have extended to our representatives.

Sincerely,

/S/ Clinton T. Tanimura
Clinton T. Tanimura
Legislative Auditor

Encl.

COPY **THE OFFICE OF THE AUDITOR** Attachment No. 2

State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

May 16, 1969

Mr. Frank E. Keifer
Administrative Director
Hawaii County Hospital System
1190 Waianuenue Avenue
Hilo, Hawaii 96720

Dear Mr. Keifer:

Enclosed is a copy of our preliminary report on the financial audit of the Honokaa Hospital for the fiscal year ended June 30, 1968. The term, "preliminary," indicates that the report has not been released for general distribution. However, copies of the report have been transmitted to the acting Superintendent of the Honokaa Hospital, the Mayor of the County of Hawaii, the Director of the State Department of Health, the Governor, and the presiding officers of both houses of the State Legislature.

The report contains several recommendations. I would appreciate receiving your written comments on them, including information as to the specific actions the hospital has taken or intends to take with respect to each of them. I have also asked the Director of the State Department of Health for his comments. All comments must be in our hands by May 29, 1969. The report will be finalized and released shortly thereafter.

If you wish to discuss the report with us, we will be pleased to meet with you on or before May 23, 1969. Please call our office to fix an appointment. A "no call" will be assumed to mean that a meeting is not required.

Sincerely,

/S/ Clinton T. Tanimura
Clinton T. Tanimura

Encl.

COPY **THE OFFICE OF THE AUDITOR** Attachment No. 3

State of Hawaii
Iolani Palace
Honolulu, Hawaii 96813

May 16, 1969

Dr. Walter B. Quisenberry
Director, Department of Health
State of Hawaii
Honolulu, Hawaii

Dear Dr. Quisenberry:

Enclosed is a copy of our preliminary report on the financial audit of the Honokaa Hospital for the fiscal year ended June 30, 1968. The term, "preliminary," indicates that the report has not been released for general distribution. However, copies of the report have been sent to the Administrative Director of the Hawaii County Hospital System, the Acting Superintendent of the Honokaa Hospital, the Mayor of the County of Hawaii, the Governor, and the presiding officers of both houses of the State Legislature.

I would appreciate receiving your written comments on this report. I have also asked the Administrative Director of the Hawaii County Hospital System for his comments. All comments must be in our hands by May 29, 1969. The report will be finalized and released shortly thereafter.

If you wish to discuss the report with us, we will be pleased to meet with you on or before May 23, 1969. Please call our office to fix an appointment. A "no call" will be assumed to mean that a meeting is not required.

We are deeply thankful for the assistance received by our representatives from your staff.

Sincerely,

/S/ Clinton T. Tanimura
Clinton T. Tanimura

Encl.

COPY Attachment No. 4

HAWAII COUNTY HOSPITAL SYSTEM
1190 Waianuenue Ave., Hilo, Hawaii 96720

Mr. Clinton Tanimura, Legislative Auditor
Office of the Auditor
State of Hawaii
Honolulu, Hawaii

Dear Mr. Tanimura:

Thank you for allowing us the opportunity to comment on the financial audit of Honokaa Hospital. Some of your recommendations were implemented during the course of the audit, others during the interval of the audit and the preliminary report, and others will be implemented immediately or after further discussions with the Department of Health.

1. **Overtime Needs**

We will attempt to estimate overtime requirements with care and properly budget for it. Estimates however may be incorrect if pay adjustments through Legislative or Personnel Services actions occur after the budgets are submitted or if unusually heavy sick leaves occur because of epidemics and other causes. The major cause for the 1967-1968 fiscal year overtime costs exceeding the budget was cash overtime payments, the bulk of which are for holiday work, where previously the staff had been taking compensatory time.

2. **Proposed Hospital Rate Changes**

The proposed rates for long term care were corrected on April 29, 1969 at the public hearing held at Hilo Hospital from the quoted:

$26.50 private, per day
$22.75 semi-private, per day
$19.00 ward, per day

to

$19.00 private, per day
$16.75 semi-private, per day
$14.25 ward, per day

The final decision on the proposed rate structures will be made by the Director of Health.

3. **Collection Procedures**

The hospital is following the directives sent to them on collection procedures.

4. **Review of Property Inventory and Disposition of Non-Usable Items**

The hospital will review its property inventory and make proper disposition of items which are not usable. The laundry equipment was recently advertised by the County Finance Director for sale but there were no bidders. An offer to purchase this equipment has been made and awaits the approval of the County Finance Director.

5. **Accounting and Documentation of Patients Trust Funds**

We agree that the hospital should maintain adequate accounting records and proper documentation for the patients trust fund, and they have been directed to do so.

6. **Perquisite Policies**

The required perquisite reports for all system hospitals will be submitted to the Department of Health immediately.

7. **Vending Machines**

The Department of Health has requested clarification and guidance of the State Attorney General on this matter. In May 1969, the Director of the Department of Health again requested a decision from the Attorney General.

8. **Sale of Silver Residue**

The silver residue collected by the X-ray technician amounts to $18.00 annually. We will study the matter of silver residue recovery in all system hospitals and evaluate the cost of recovery against the income.

9. **Radiologist's Contract**

The existing contract between Hilo Hospital and the radiologist was written by the County Attorney for Hilo Hospital and the radiologist prior to Act 97. Because of the lack of qualified radiologists and the small volume of business generated at a rural hospital, the only feasible arrangement was to have Hilo Hospital's radiologist handle the rural hospital business at his private office which is permitted under the contract. The radiology interpretation charge is negotiated with the hospital. The radiologist has agreed to continue the same percentage arrangement with Honokaa Hospital through his private office in Hilo because the professional services he renders for Honokaa Hospital are not equivalent to the on-site professional services he is able to offer at the Hilo Hospital Radiology Department. When and if his radiological services to Honokaa Hospital are upgraded and improved, re-adjustments of percentages can be negotiated.

All special employment or service contracts had been reviewed by the County Department of Personnel Services and the County Attorney annually until January 1969, when the County Charter was put into effect. The Corporation Counsel has declined to review our special contracts as it is his contention that hospitals are State functions. We are therefore submitting all special contracts to the Department of Health for review by the Attorney General's Office.

10. **Automobile Allowance**

I had authorized the office manager to receive a flat automobile allowance of $25.00 a month for the use of his private automobile on official business for the following reasons:

1. Honokaa Hospital has no other government vehicle except the ambulance.

2. It is more economical to pay an allowance rather than to purchase and maintain an automobile for this purpose.

3. His daily routine business trips to and from the hospital are normally short ones which require constant recording and paper work but there are numerous other unpredictable official trips he must make in and around the locality. He is now the Acting Superintendent of the hospital, and has other related duties which require more traveling.

4. We believe that $1.19 per working day is an inexpensive rental payment for an automobile.

We again thank you for the thorough audit of our operations. Your findings and recommendations are of valuable assistance in the consolidation of our hospitals.

Sincerely,

/S/ Frank E. Keifer
Frank E. Keifer
Administrative Director

FEK:lyu

cc: Walter B. Quisenberry, M.D., Director of Health
Honokaa Hospital

May 27, 1969

COPY

Attachment No. 5

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, Hawaii 96801

May 23, 1969

Mr. Clinton T. Tanimura
Legislative Auditor
Office of the Auditor
State of Hawaii
Honolulu, Hawaii

Dear Mr. Tanimura:

Re: Financial Audit of Honokaa Hospital

We are pleased to receive a copy of the financial audit report on Honokaa Hospital and to note that the overall fiscal procedures and operations generally reflect adequate financial controls and management.

In regard to the recommendations, a coordinated effort between this department and the hospital staff will be made to implement the required changes and to resolve specific problem areas. Where certain recommendations have general application to several or all hospitals, we will take the necessary action to handle the problem areas on a system-wide basis.

The financial audits on the various County/State Hospitals are helpful to us in meeting our management responsibilities. We appreciate the efforts of your office and you may be assured of our continuing cooperation and assistance.

Very sincerely,

/S/ Wilbur S. Lummis, Jr., M.D.
for WALTER B. QUISENBERRY, M.D.

cc: Mayor of Hawaii
Mr. F. Keifer

PUBLISHED REPORT OF THE LEGISLATIVE AUDITOR

Audit Reports

1966
1. Examination of the Office of the Revisor of Statutes, 66 pp. (out of print).

1967
1. Overtime in the State Government, 107 pp.
2. Management Audit of Kula Sanatorium, 136 pp.

1968
1. Financial Audit of the Department of Health for the Fiscal Year Ended June 30, 1967, v.p. (out of print).
2. Financial Audit of the Department of Planning and Economic Development for the Fiscal Year Ended June 30, 1967, v.p. (out of print).
3. Financial Audit of the Department of Regulatory Agencies for the Fiscal Year Ended June 30, 1967, v.p. (out of print).
4. Financial Audit of the Department of Hawaiian Home Lands for the Fiscal Year Ended June 30, 1967, 54 pp.
5. Financial Audit of the Oahu Transportation Study for the Period July 1, 1962 to August 31, 1967, 68 pp.
6. Financial Audit of the Hawaii Visitors Bureau for the Period July 1, 1966 to January 31, 1968, 69 pp.
7. State Capital Improvements Planning Process, 55 pp.
8. Financial Audit of the Hilo Hospital for the Fiscal Year Ended June 30, 1967, 43 pp.
9. Financial Audit of the Hawaii Visitors Bureau for the Period July 1, 1967 to June 30, 1968, 42 pp.

1969
1. Financial Audit of the General Fund, State of Hawaii, for the Fiscal Year Ended June 30, 1968, v.p.
2. Financial Audit of the Judicial Branch, State of Hawaii, for the Fiscal Year Ended June 30, 1968, v.p.
3. Financial Audit of the State Department of Budget and Finance for the Fiscal Year Ended June 30, 1968, v.p.
4. General Audit of the Department of Personnel Services, State of Hawaii, 129 pp.
4. A Summary of the General Audit of the Department of Personnel Services, 53 pp.

Other Reports

1965
1. Long and Short Range Programs of the Office of the Auditor, 48 pp. (out of print).
2. A Preliminary Survey of the Problem of Hospital Care in Low Population Areas in the State of Hawaii, 17 pp. (out of print).

1966
1. Procedural Changes for Expediting Implementation of Capital Improvement Projects, 9 pp. (out of print)

1967
1. The Large School: A Preliminary Survey of Its Educational Feasibility for Hawaii, 15 pp.
2. State-City Relationships in Highway Maintenance, and Traffic Control Functions, 28 pp.
3. Manual of Guides of the Office of the Legislative Auditor, v.p.

1969
1. Transcript of Seminar in Planning-Programming-Budgeting for the State of Hawaii, 256 pp.
2. Airports System Financing Through Revenue Bonds, 9 pp.
3. Second Annual Status Report on the Implementation of Act 203, Session Laws of Hawaii 1967 (Relating to State-county Relationships), 13 pp.
4. An Overview of the Governor's 1969-70 Capital Improvements Budget, 61 pp.
5. A Supplementary Report on the Audit of the Hawaii Visitors Bureau, 2 pp.

LEGISLATIVE AUDITOR
IOLANI PALACE
HONOLULU, HAWAII 96813